

**From:** "Colleen Heldt" <cheldt@iowatrustbank.com> on 07/19/2004 07:07:35 PM

**Subject:** Regulation DD - Overdraft/Bounce Protection Services

7-19-04

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Ms. Johnson:

We are pleased to respond to the Board of Governors of the Federal Reserve System's request for comment concerning Interagency Guidance on Overdraft Protection Programs and the proposal to amend Regulation DD.

Iowa Trust and Savings Bank is an 85 million dollar bank in a rural community of approximately 4,000 citizens. We have offered the ODP program for approximately 4 months and have received very positive comments. Our customer base appears to appreciate the benefits of the program.

In general, we believe the proposed rule change and guidance are a win/win for consumers and financial institutions alike. Consumers will be getting sufficient information about the costs of the programs while the programs will still be exempt from the complicated APR disclosures and finance charge calculations required under Regulation Z. Our position has always been to favor regulatory guidance that will protect our customers.

We do have some concerns about a few of the items contained in the proposals.

\* The Guidance establishes a clear safety and soundness standard that overdrafts must be charged off within 30 days. Our program opts for a customer-friendly approach that's based on safety and soundness standards requiring prompt notifications to the customer of the overdraft and an encouragement to bring the account to a positive balance as soon as possible. We support a longer charge off policy than the 30 days proposed and recommend that 60 to 90 days would allow for the reasonable collection of a depositor account.

\* When an institution routinely communicates the available amount of overdraft protection to depositors, these available amounts should be reported as "unused commitments" in regulatory reports. The Agencies also expect proper risk-based capital treatment of outstanding overdrawn balances and unused commitments. We feel that with that language in the guidance, any "disclosed program" would appear subject to the reporting requirement. It is our position that this reporting requirement should be reserved only for contractually binding obligations such as traditional lines of credit or other formalized credit facilities.

\* Institutions that establish overdraft protection programs should take into consideration the Best Practices that have been implemented by institutions. We concur with the bankers attending the June 24, 2004 meeting of the Federal Reserve Board Consumer Advisory Council meeting when noting that this language would be problematic because examiners may use the individual Best Practices as checklist to determine compliance with the Guidance using a "line-by-line" approach rather than as a general guideline for best practices worthy of management consideration.

\* Under the Reg DD proposals, it appears there is a subtle attempt to distinguish vendor driven programs from in-house programs, with a specific comment stating: "What generally distinguished the vendor programs from institutions' in-house automated processes is the addition of marketing plans that appear designed to promote the generation of fee income by stating a dollar amount that consumers would be allowed to overdraw and by encouraging consumers to overdraw their accounts and use the service as a line of credit." While we do not believe vendor driven programs are more or less problematic than in-house programs, we note that the proposal clearly attempts to distinguish between programs that disclose or "market" an available ODP limit as opposed to those who do not disclose their payment decision-making process to the consumer. Our position in this regard is that disclosing a dollar limit is not promoting overdrafts as a short term use of credit but rather providing the customer with information in the form of a specific dollar amount that may generally be paid as float for after hour deposits (in some systems) or in the event of an inadvertent overdraft.

\* The Board requested comment on whether the requirement to disclose cumulative year-to-date fee totals should be limited to institutions that market overdraft payment services. We generally support the disclosure as beneficial to all consumers, rather than targeting only institutions with programs that disclose their ODP limit amounts.

We are confident that our overdraft protection program has the customer's best interest at hand and will meet most if not all of the best practices listed. As consumer protection is the motive for your proposals and the basis for our response, we respectfully ask that you consider our thoughts when finalizing interagency guidance or amendments to regulation. Thank you for your time.

Sincerely,

Colleen Heldt, Compliance Officer  
Iowa Trust and Savings Bank